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SUBJECT: INTERNATIONAL COMPACT WITH IRAQ -- DEBT RELIEF

REF: SECSTATE 181094

Emboff delivered reftel demarche to Amal Morad, Deputy Assistant Minister of Foreign Affairs for Arab Affairs, who said that the GOE had not yet entered into negotiations with Iraq on debt forgiveness. She was aware of the Paris Club terms, but said that the GOE had not decided how it would approach any future negotiations on debt forgiveness. she also said that a London-based firm was calculating how much Iraq owed the GOE, several parastatal firms and Egyptian citizens (worker remittances). Asked to estimate the amount, she offered "several hundred million." Emboff also delivered the demarche to Mohamed Assaad, Advisor to the Minister of Finance for Public Debt. Assaad suggested that any state-to-state debt held by Egypt was likely held by the military, in which case it would not appear in the GOE general budget figures. The Ministry of Defense (MOD) official responsible for debt issues is currently traveling out of the country but will return next week. Post will follow up to determine if in fact Iraq owes debt to the MOD, how much, and if MOD is willing to pursue debt forgiveness.  
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